

PACIFICORP CAN DEFER, BUT NOT AMORTIZE, ACQUISITION-RELATED EXPENSES

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BOISE, Idaho, Jan. 26 -- The Idaho Public Utilities Commission issued the following news release:

The Idaho Public Utilities Commission is allowing PacifiCorp, doing business as Rocky Mountain Power in eastern Idaho, to defer some expenses related to Mid American Energy Holdings Company's (MEHC) purchase of PacifiCorp. However, the commission said PacifiCorp would not be allowed to recover those expenses from customers until it meets a commitment to reduce the company's administrative and general expenses by \$6 million annually.

PacifiCorp filed an application last October seeking commission authorization to defer and then amortize over three years expenses related to employee severance and software conversion. The company anticipates its costs related to employee severance will exceed \$25 million in PacifiCorp's six-state territory. The estimated cost of adapting the new software will fall between \$500,000 and \$1 million, according to the company.

While the commission allowed the company to defer the expenses for possible recovery from customers after the company's next rate case, it reminded the company of its commitment to reduce administrative and general expenses as a condition for approving MEHC's purchase of PacifiCorp from its former owner, ScottishPower.

"We find that in order not to dilute the benefits that were meant to flow to customers from the acquisition by MEHC, the company must first meet its commitment to reduce company total A&G expenses by \$6 million annually," the commission said.

"Only then will the amortization of costs from the severance program or the software program be considered for ratemaking purposes." Even after that point, the company will need to provide evidence through cost-benefit studies that the expenses were beneficial to customers, the commission said.

The commission's order allows the company to defer in separate sub-accounts the severance and software costs, but the company will not be entitled to any return, accrued interest or carrying charges associated with the deferred amounts.